

CITY OF MISSOURI VALLEY
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2013

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City of Missouri Valley

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Clint Sargent	Mayor	January 2014
Gene Dinsmore	Council Member	June 2013
Robert Wentworth	Council Member	January 2014 (appointed June 2013)
Brent Dillinger	Council Member	January 2014
Dick Isom	Council Member	January 2016
Leonard Ratliff	Council Member	January 2016
Sherman Struble	Council Member	January 2016
Rita Miller	City Clerk, Administrator	Indefinite
Todd Argotsinger	Attorney	Indefinite

City of Missouri Valley

November 12, 2013

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Missouri Valley, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Continued...

Independent Auditor's Report
City of Missouri Valley

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Missouri Valley as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Missouri Valley's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 12, and 29 through 30 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 12, 2013 on our consideration of the City of Missouri Valley's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Missouri Valley's internal control over financial reporting and compliance.

Schroeder & Associates, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Missouri Valley provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 4.5%, or approximately \$119,000 from fiscal year 2012 to fiscal year 2013. Operating grants decreased \$88,000 and tax increment financing receipts decreased \$26,000.
- Disbursements of the City's governmental activities increased 22.7% or approximately \$680,000 in fiscal year 2013 from fiscal year 2012. Public safety, general government, and capital projects increased approximately \$234,000, \$37,000, and \$631,000 respectively. Public works, culture and recreation, and debt service disbursements decreased approximately \$15,000, \$36,000, and \$171,000, respectively.
- The City's total cash basis net position increased 8.3%, or approximately \$390,000 from June 30, 2012 to June 30, 2013. Of this amount, the assets of the governmental activities increased approximately \$203,000, and the assets of the business type activities increased approximately \$188,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term, as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Tax, 3) the Capital Projects Fund, 4) the Debt Service Fund, and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer funds, all considered to be major funds of the City.

The required financial statements for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The city's cash balance for governmental activities increased by approximately \$203,000 from a year ago. The analysis that follows focuses on the changes in cash basis net position for government activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2013	2012
Receipts:		
Program receipts:		
Charges for service	\$ 273	296
Operating grants, contributions and restricted interest	538	626
Capital grants, contributions and restricted interest	-	7
General receipts:		
Property tax	1,369	1,350
Tax increment financing	106	132
Local option sales tax	180	173
Grants and contributions not restricted to specific purposes	25	26
Unrestricted interest on investments	16	16
Total receipts	<u>2,507</u>	<u>2,626</u>
Disbursements:		
Public safety	903	669
Public works	448	463
Culture and recreation	485	521
General government	276	239
Debt service	521	692
Capital projects	1,045	414
Total disbursements	<u>3,678</u>	<u>2,998</u>
Change in cash basis net position before other financing sources (uses)	(1,171)	(372)
Other financing sources (uses), net	<u>1,374</u>	<u>229</u>
Change in cash basis net position	203	(143)
Cash basis net position beginning of year	<u>2,689</u>	<u>2,832</u>
Cash basis net position end of year	<u><u>2,892</u></u>	<u><u>2,689</u></u>

The cost of all governmental activities this year was approximately \$3,678,000. As shown in the Statement of Activities and Net Position, the amount taxpayers ultimately financed for these activities was \$2,868,226. The City paid for this with property taxes and other receipts.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2013	2012
Receipts:		
Program receipts:		
Charges for service		
Water	\$ 565	541
Sewer	364	361
General receipts:		
Miscellaneous	14	15
Unrestricted interest on investments	8	8
Total receipts	951	925
Disbursements:		
Water	503	603
Sewer	260	468
Total disbursements	763	1,071
Change in cash basis net position before transfers	188	(146)
Other financing sources (uses), net	-	44
Change in cash basis net position	188	(102)
Cash basis net position beginning of year	1,387	1,489
Cash basis net position end of year	1,575	1,387

The business type activities receipts for the fiscal year were approximately \$951,000, compared to \$925,000 last year. The cash balance increased approximately \$188,000 from the prior year. Total disbursements decreased approximately \$308,000 from the prior year.

INDIVIDUAL GOVERNMENTAL FUND ANALYSIS

As City of Missouri Valley completed the year, its governmental funds reported a combined fund balance of \$2,891,992, an increase of \$202,235 from the prior year. The reasons for the changes in fund balances of the major funds from the prior year are as follows:

- The General Fund decreased \$108,437 from the prior year to \$567,326. The decrease was primarily due to bond proceeds received in fiscal year 2012 for a new rescue truck were expended in fiscal year 2013, increase in hours allotted for department of building safety, and curb and gutter repair project.
- The Road Use Tax Fund increased \$15,674 from the prior year to \$292,112. Expenses were reduced due to the debt on the dump truck being paid off.
- The Local Option Sales Tax Fund increased \$95,421 from the prior year to \$535,969. The debt amount for the 3rd Street construction project was less and therefore a lesser amount was expended for this purpose.

- The Debt Service Fund decreased \$109,995 from the prior year to \$979,332. Although debt service expense increased due to bond refinancing, the overall balance of debt outstanding decreased because part of the accrued balance was used to reduce the tax levy rate for the taxpayers.
- The Capital Projects Fund increased \$328,536 from the prior year to \$325,539. Funding was received for the 2012 street construction in 2012, however part of the project was not completed until fiscal year 2013. Therefore, costs were not expended prior to fiscal year 2013 year end.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund increased \$78,727 from the prior year to \$1,046,054 as a result of some projects not being completed and the funds had not been expended by fiscal year 2013 year end. Revenues increased due to a combination of increased consumption and collection efforts.
- The Sewer Fund increased \$109,121 from the prior year to \$529,153 due to projects being completed in 2012 and a sewer revenue bond was paid off. As a result, the City did not have that in expense in 2013.

BUDGETARY HIGHLIGHTS

The City amended its budget one time to increase budget receipts by \$103,372 and increase budget disbursements by \$488,419. Total City disbursements were \$352,032 less than the budgeted amount.

DEBT ADMINISTRATION

At June 30, 2013, the City had \$6,315,000 in bonds and other long term debt, compared to \$5,384,231 last year.

Outstanding Debt at Year End			
		June 30,	
		2013	2012
General Obligation notes	\$	4,800,000	3,799,231
Revenue notes		1,515,000	1,585,000
Total	\$	6,315,000	5,384,231

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$4,800,000 is below its constitutional debt limit of approximately \$5,900,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Missouri Valley's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates and fees charged for various City activities.

The City of Missouri Valley's FY 2014 budget will decrease from 2013 due to several street projects being completed. 75% of the bond payment on the 3rd Street paving project will be made from the Local Option Sales Tax Fund receipts in 2014, therefore property tax dollars will not be levied for those expenses. The City will continue its hydrant replacement program as well as continuing to upgrade water meters to a touch read system, all of which will be paid for through water and sewer receipts. The continued rise in fuel prices, equipment costs, and insurance expense, along with the state rollback, are negative economic factors that also must be considered in the 2014 budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rita M. Miller, City Clerk, 223 East Erie Street, Missouri Valley, Iowa.

City of Missouri Valley
Basic Financial Statements

City of Missouri Valley
Cash Basis Statement of Activities and Net Position
As of and for the year ended June 30, 2013

	Program Receipts			Net (Disbursement) Receipts and Changes in Cash Basis Net Position		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Public safety	\$ 902,843	95,560	93,934	(713,349)	-	(713,349)
Public works	448,056	65,896	291,602	(90,558)	-	(90,558)
Culture and recreation	485,101	89,871	55,865	(339,365)	-	(339,365)
General government	276,316	21,291	95,379	(158,646)	-	(158,646)
Debt service	520,844	-	-	(520,844)	-	(520,844)
Capital projects	1,045,464	-	-	(1,045,464)	-	(1,045,464)
Total governmental activities	3,678,624	272,618	537,780	(2,868,226)	-	(2,868,226)
Business type activities:						
Water	503,476	565,298	-	-	61,822	61,822
Sewer	260,134	364,332	-	-	104,198	104,198
Total business type activities	763,610	929,630	-	-	166,020	166,020
Total	\$ 4,442,234	1,202,248	537,780	(2,868,226)	166,020	(2,702,206)
General Receipts:						
Property tax levied for:						
General purposes				809,319	-	809,319
Employee benefits				339,659	-	339,659
Debt service				219,914	-	219,914
Tax increment financing				105,449	-	105,449
Local option sales tax				179,907	-	179,907
Grants and contributions not restricted to specific purposes				24,747	3,799	28,546
Unrestricted interest on investments				16,466	8,289	24,755
Miscellaneous				-	9,740	9,740
Note proceeds				1,374,000	-	1,374,000
Total general receipts				3,070,461	21,828	3,092,289
Change in cash basis net position				202,235	187,848	390,083
Cash basis net position beginning of year				2,689,757	1,387,359	4,077,116
Cash basis net position end of year				\$ 2,891,992	1,575,207	4,467,199
Cash Basis Net Position						
Restricted:						
Nonexpendable:						
Cemetery perpetual care				\$ 87,652	-	87,652
Expendable:						
Streets				292,112	-	292,112
Property tax relief				535,969	-	535,969
Debt service				979,332	137,430	1,116,762
Other purposes				104,062	-	104,062
Unrestricted				892,885	1,437,777	2,330,642
Total cash basis net assets				\$ 2,891,992	1,575,207	4,467,199

See notes to financial statements

City of Missouri Valley
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and for the year ended June 30, 2013

	General	Special Revenue			Capital Projects	Other Nonmajor Governmental Funds	Total
		Road Use	Local Option Sales Tax	Debt Service			
Receipts							
Property tax	\$ 688,674	-	-	215,929	-	333,228	1,237,831
Tax increment financing collections	-	-	-	-	-	106,449	106,449
Other city tax	120,645	-	179,907	3,985	-	6,431	310,968
Licenses and permits	23,156	-	-	-	-	-	23,156
Use of money and property	37,075	-	-	-	-	363	37,438
Intergovernmental	86,749	271,783	-	-	-	-	358,532
Charges for service	243,233	-	-	-	-	-	243,233
Special assessments	5,529	-	-	-	-	-	5,529
Miscellaneous	162,329	19,819	-	-	-	1,575	183,723
Total receipts	1,367,390	291,602	179,907	219,914	-	448,046	2,506,859
Disbursements							
Operating:							
Public safety	739,605	-	-	-	-	163,238	902,843
Public works	93,622	275,928	-	-	-	78,306	448,056
Culture and recreation	401,189	-	-	-	-	83,912	485,101
General government	241,211	-	-	-	-	35,105	276,316
Debt service	-	-	-	520,844	-	-	520,844
Capital projects	-	-	-	-	1,045,464	-	1,045,464
Total disbursements	1,475,627	275,928	-	520,844	1,045,464	360,561	3,678,624
Excess (deficiency) of receipts over (under) disbursements	(108,437)	15,674	179,907	(300,930)	(1,045,464)	87,485	(1,171,785)
Other financing sources (uses):							
Note proceeds	-	-	-	-	1,374,000	-	1,374,000
Operating transfers in	-	-	-	190,935	-	-	190,935
Operating transfers out	-	-	(84,466)	-	-	(106,449)	(190,935)
Total other financing other financing sources (uses)	-	-	(84,466)	190,935	1,374,000	(106,449)	1,374,000
Net change in cash balances	(108,437)	15,674	95,421	(109,995)	328,536	(18,964)	202,235
Cash balances beginning of year	675,763	276,438	440,548	1,089,327	(2,997)	210,678	2,689,757
Cash balances end of year	\$ 567,326	292,112	535,969	979,332	325,539	191,714	2,891,992
Cash Basis Fund Balances							
Nonspendable - cemetery perpetual care	\$ -	-	-	-	-	87,652	87,652
Restricted for:							
Streets	-	292,112	-	-	-	-	292,112
Property tax relief	-	-	535,969	-	-	-	535,969
Debt service	-	-	-	979,332	-	-	979,332
Capital project	-	-	-	-	325,539	-	325,539
Other purposes	-	-	-	-	-	104,062	104,062
Unassigned	567,326	-	-	-	-	-	567,326
Total cash basis fund balances	\$ 567,326	292,112	535,969	979,332	325,539	191,714	2,891,992

See notes to financial statements

City of Missouri Valley
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2013

	Enterprise Funds		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 565,298	364,332	929,630
Total operating receipts	565,298	364,332	929,630
Operating disbursements:			
Business type activities	346,784	258,534	605,318
Total operating disbursements	346,784	258,534	605,318
Excess of operating receipts over operating disbursements	218,514	105,798	324,312
Non-operating receipts (disbursements):			
Interest on investments	7,165	1,124	8,289
Rent	-	3,799	3,799
Miscellaneous	9,740	-	9,740
Capital Projects	(24,349)	(1,600)	(25,949)
Debt service	(132,343)	-	(132,343)
Total non-operating receipts (disbursements)	(139,787)	3,323	(136,464)
Net change in cash balances	78,727	109,121	187,848
Cash balances beginning of year	967,327	420,032	1,387,359
Cash balances end of year	\$ 1,046,054	529,153	1,575,207
Cash Basis Fund Balances			
Restricted for debt service	\$ 137,430	-	137,430
Unrestricted	908,624	529,153	1,437,777
Total cash basis fund balances	\$ 1,046,054	529,153	1,575,207

See notes to financial statements

City of Missouri Valley
Notes to Financial Statements
June 30, 2013

NOTE (1) Summary of Significant Accounting Policies

The City of Missouri Valley is a political subdivision of the State of Iowa located in Harrison County. It was first incorporated in 1871 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Missouri Valley has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Harrison County Assessor's Conference Board, Harrison County Emergency Management Commission, Harrison County Landfill Commission, Youth Enhancement Association, Southwest Iowa Planning Council, and Harrison County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

City of Missouri Valley
Notes to Financial Statements
June 30, 2013

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

Nonexpendable restricted net position is subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often have constraints on cash balances imposed by management, which can be removed or modified.

The Cash Balances Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies, and other receipts not allocated by law or contractual agreement to some other fund, are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for accumulation of local option sales tax collected by the State to be expended in accordance with statutory and local provisions.

City of Missouri Valley
Notes to Financial Statements
June 30, 2013

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation – Continued

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the construction of capital facilities with the exception of those that are financed through enterprise funds.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Missouri Valley maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

City of Missouri Valley
Notes to Financial Statements
June 30, 2013

NOTE (1) Summary of Significant Accounting Policies – Continued

D. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the budgeted amounts in the public safety and debt service functions.

F. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2011, to compute the amounts which became liens on property on July 1, 2012. These taxes were due and payable in two installments on September 30, 2012 and March 31, 2013, at the Harrison County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

NOTE (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

City of Missouri Valley
Notes to Financial Statements
June 30, 2013

NOTE (2) Cash and Pooled Investments – Continued

The carrying amount of cash at June 30, 2013 is \$4,357,205. This amount consists of checking accounts, money market and savings accounts, and certificates of deposit. Of this amount, \$4,064,750 is covered by federal depository insurance and \$292,270 is covered by collateral held by the city's agent in the City's name, except for \$185 which is petty cash.

At June 30, 2013, the City had the following investments:

Type	Carrying Amount	Fair Value
Insured Municipal Funds	\$ 30,005	\$ 31,648
U.S. Government Securities	79,989	82,215
	<u>\$ 109,994</u>	<u>\$ 113,863</u>

Credit risk

The City's investments listed above are rated as a Category 1 which are insured or registered securities, or securities held by the City or its agent, in the City's name.

Interest rate risk

The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

The City's total cash and investment was \$4,467,199 at June 30, 2013.

City of Missouri Valley
Notes to Financial Statements
June 30, 2013

NOTE (3) Bonds and Notes Payable

Annual debt service requirements to maturity of general obligation bonds and notes and revenue notes are as follows:

Year Ended June 30,	General Obligation Debt Principal	Revenue Bonds Principal	Total Principal
2014	\$ 410,000	75,000	485,000
2015	415,000	80,000	495,000
2016	370,000	105,000	475,000
2017	375,000	105,000	480,000
2018	380,000	105,000	485,000
2019-2023	2,000,000	570,000	2,570,000
2024-2027	850,000	475,000	1,325,000
Total	\$ 4,800,000	1,515,000	6,315,000

Year Ended June 30,	Interest	Interest	Interest
2014	\$ 90,770	36,803	127,573
2015	82,292	34,458	116,750
2016	74,915	31,795	106,710
2017	71,180	30,588	101,768
2018	66,648	28,488	95,136
2019-2023	239,209	109,062	348,271
2024-2027	60,250	33,734	93,984
Total	\$ 685,264	304,928	990,192

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund.

The City has a legal debt limit of approximately \$5,900,000 which was not exceeded during the year ended June 30, 2013.

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,725,000 in water revenue notes issued in April 2010 and \$1,360,000 in water revenue refunding bonds issued April 25, 2013. Proceeds from the notes provided financing for the construction of water main extensions. The notes are payable solely from water customer net receipts and are payable through 2027. Annual principal and interest payments on the notes required less than 65 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$1,819,928. For the current year, total principal and interest paid and total customer net receipts were \$132,343 and \$218,514, respectively.

City of Missouri Valley
Notes to Financial Statements
June 30, 2013

NOTE (3) Bonds and Notes Payable - Continued

The resolutions providing for the issuance of the water revenue notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b) Commencing June 1, 2015, sufficient monthly transfers shall be made to water revenue note sinking accounts within the Water Enterprise Fund for the purpose of making the note principal and interest payments when due.
- c) Establish water reserve account of \$137,430 for the purpose of paying principal and interest payments when deposits in the sinking fund are insufficient to make such payments.
- d) Establish an improvement account after required payments to the sinking and reserve accounts until a balance of \$50,000 is accumulated.

The City has complied with the revenue note provisions.

NOTE (4) Advance Debt Refunding

On April 25, 2013, the City issued \$3,170,000 in General Obligation Rescue Vehicle and Refunding Notes. The new debt was used for the following purposes:

An escrow balance of \$2,462,187 at June 30, 2013 will be used to pay \$2,400,000 still outstanding on the refunded debt. The principal of \$215,000 has a full call at June 1, 2014 and the principal of \$2,185,000 has a full call of June 1, 2015. The escrow balance and refunded debt outstanding are not reflected in the City's financial statements.

On April 25, 2013, the City issued \$1,360,000 in Water Revenue Refunding Bonds. The new debt will be used for the following purposes:

An escrow balance of \$1,288,913 at June 30, 2013 will be used to pay \$1,240,000 still outstanding on the refunded debt. The debt has a full call at June 1, 2015. The escrow balance and refunded debt outstanding are not reflected in the City's financial statements.

City of Missouri Valley
Notes to Financial Statements
June 30, 2013

NOTE (5) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual salary and the City is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011, were \$66,832, \$61,964, and \$56,486, respectively, equal to the required contributions for each year.

NOTE (6) Other Postemployment Benefits (OPEB)

Employee Benefits

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 17 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$427 for single coverage, \$808 for single plus children, \$874 for single plus one, and \$1,310 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2013, there were no retired plan members eligible for benefits.

NOTE (7) Leases

In December 2010, the City entered into a lease agreement for a piece of equipment for \$92 per month for 60 months. Rent expense for the operating lease for the year ended June 30, 2013, was \$1,104. Future minimum lease payments are as follows:

Year Ended June 30,		
2014	\$	1,104
2015		1,104
2016		460
	\$	<u>2,668</u>

City of Missouri Valley
Notes to Financial Statements
June 30, 2013

NOTE (8) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for vacation payable to employees at June 30, 2013, primarily relating to the General Fund is \$32,938.

Sick leave may be converted to vacation pay for hours exceeding 960 and is payable upon termination at the rate of one hour of vacation per three hours of sick leave. The approximate liability for sick leave conversion payable upon termination of these employees is \$530 at June 30, 2013.

These liabilities are computed based on rates of pay effective as of June 30, 2013.

NOTE (9) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986, for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital, and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2013 were \$87,694.

City of Missouri Valley
Notes to Financial Statements
June 30, 2013

NOTE (9) Risk Management – Continued

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool, up to \$250,000 each occurrence, each location, with excess coverage reinsured by the Lexington Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claim shall be the obligation of the respective individual member. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workman's compensation. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE (10) Commitments

Water Tank Maintenance Contract

In January, 2003, the City entered into an agreement with Utility Service Co., Inc. for total care and maintenance of the 750,000 gallon elevated water storage tower. The full renovation cost and maintenance fees are spread over the initial three years of the contract. The contract can be renewed every three years. The City made the required payment of \$24,349 in January 2013. The City's required payment for January 2014 will be \$24,349.

City of Missouri Valley
Notes to Financial Statements
June 30, 2013

NOTE (10) Commitments - Continued

Administrative Services Contract

The City renewed its agreement with PeopleService, whereby the City engages PeopleService to manage, operate, and maintain the City's water and wastewater utility system. The Company in turn refunds to the City all cost savings on non-payroll operating expenses. The monthly contracted fee is \$17,383 effective through June 30, 2013, with the change in the Consumer Price Index for All Urban Consumers (CPI-U) effective through June 30, 2017.

As required in this agreement, PeopleService computes, bills, collects and transmits to the City the revenues from water, sewer and landfill usage.

NOTE (11) Missouri Valley Development Corporation Agreement

In April 1999, the City loaned the Missouri Valley Development Corporation \$25,000 for the construction of a commercial building within the City of Missouri Valley. A promissory note was signed in December 1999, with the Corporation agreeing to repay the loan as follows: annual payments of interest only in the amount of \$1,375 per year. Beginning in the year 2005 through 2014, the sum of \$2,451 will be repaid each year. In the year 2015 the entire balance, principal and accrued interest will be due in full.

In November, 2004, the Corporation sold the building. The City agreed to extend the \$25,000 loan to the Corporation for future projects. Interest will continue to accrue at 5.5%. The City received an interest payment during the year ended June 30, 2013 of \$1,375. The balance of the loan is \$25,000 at June 30, 2013.

NOTE (12) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Special Revenue:	
	Local Option Sales Tax	84,486
	Urban Renewal Tax Increment	106,449
		<u>\$ 190,935</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse resources.

Other Information

City of Missouri Valley
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds
 Other Information
 Year ended June 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
Receipts						
Property tax	\$ 1,237,831	-	1,237,831	1,227,086	1,227,086	10,745
Tax increment financing collections	106,449	-	106,449	106,805	106,805	(356)
Other city tax	310,968	-	310,968	314,000	314,000	(3,032)
Licenses and permits	23,156	-	23,156	37,500	37,500	(14,344)
Use of money and property	37,438	12,088	49,526	43,950	43,950	5,576
Intergovernmental	358,532	-	358,532	361,796	409,311	(50,779)
Charges for services	243,233	929,630	1,172,863	1,261,690	1,261,690	(88,827)
Special assessments	5,529	-	5,529	60,000	60,000	(54,471)
Miscellaneous	183,723	9,740	193,463	87,895	143,754	49,709
Total receipts	2,506,859	951,458	3,458,317	3,500,724	3,604,096	(145,779)
Disbursements						
Public safety	902,843	-	902,843	728,882	897,340	(5,503)
Public works	448,056	-	448,056	478,136	478,136	30,080
Culture and recreation	485,101	-	485,101	491,928	560,287	75,186
Community and economic development	-	-	-	15,000	-	-
General government	276,316	-	276,316	238,639	306,152	29,836
Debt service	520,844	-	520,844	508,413	508,413	(12,431)
Capital projects	1,045,464	-	1,045,464	996,248	1,170,337	124,873
Business type activities	-	763,610	763,610	850,601	875,601	111,991
Total disbursements	3,678,624	763,610	4,442,234	4,307,847	4,796,266	354,032
Excess (deficiency) of receipts over (under) disbursements	(1,171,765)	187,848	(983,917)	(807,123)	(1,192,170)	208,253
Other financing sources, net	1,374,000	-	1,374,000	996,248	1,374,000	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	202,235	187,848	390,083	189,125	181,830	208,253
Balances beginning of year	2,689,757	1,387,359	4,077,116	3,721,556	3,721,556	355,560
Balances end of year	\$ 2,891,992	1,575,207	4,467,199	3,910,681	3,903,386	563,813

See accompanying independent auditors' report

City of Missouri Valley
Notes to Other Information – Budgetary Reporting
June 30, 2013

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, the Permanent Fund, and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts by \$103,372 and increased budgeted disbursements by \$488,419. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2013 disbursements exceeded the amended budgeted amounts in the public safety and debt service functions.

Supplementary Information

City of Missouri Valley
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2013

	Special Revenue			Permanent	
		Urban			
	Employee	Renewal	CDBG	Cemetery	
	Benefits	Tax	Housing	Perpetual	
		Increment	Rehab	Care	Total
Receipts					
Property tax	\$ 333,228	-	-	-	333,228
Tax increment financing collections	-	106,449	-	-	106,449
Other city tax	6,431	-	-	-	6,431
Use of money and property	-	-	363	-	363
Intergovernmental	-	-	-	-	-
Special assessments	-	-	-	-	-
Miscellaneous	-	-	1,375	200	1,575
Total receipts	339,659	106,449	1,738	200	448,046
Disbursements:					
Operating:					
Public safety	163,238	-	-	-	163,238
Public works	78,306	-	-	-	78,306
Culture and recreation	83,912	-	-	-	83,912
General government	35,105	-	-	-	35,105
Total disbursements	360,561	-	-	-	360,561
Excess (deficiency) of receipts over (under) disbursements	(20,902)	106,449	1,738	200	87,485
Other financing uses:					
Operating transfers out	-	(106,449)	-	-	(106,449)
Net change in cash balances	(20,902)	-	1,738	200	(18,964)
Cash balances beginning of year	54,045	-	69,181	87,452	210,678
Cash balances end of year	\$ 33,143	-	70,919	87,652	191,714
Cash Basis Fund Balances					
Nonspendable - cemetery perpetual care	\$ -	-	-	87,652	87,652
Restricted for other purposes	33,143	-	70,919	-	104,062
Total cash basis fund balances	\$ 33,143	-	70,919	87,652	191,714

See accompanying independent auditors' report

City of Missouri Valley
Schedule of Indebtedness
Year ended June 30, 2013

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General obligation bonds:									
Water improvement	Apr 24, 2008	3.4-3.6%	\$ 2,980,000	405,000	-	130,000	275,000	13,790	-
Street sweeper	May 12, 2008	4.09%	112,000	24,231	-	24,231	-	991	-
3rd street improvement	Nov 24, 2009	2.35-2.75%	1,050,000	200,000	-	100,000	100,000	5,100	-
Rescue vehicle and GO refunding	Apr 25, 2012	0.55-2.90%	3,170,000	3,170,000	-	145,000	3,025,000	5,798	-
Street improvement	Sept 25, 2012	0.75-2.05%	1,400,000	-	1,400,000	-	1,400,000	14,528	-
Total			\$ 3,799,231	\$ 3,799,231	1,400,000	399,231	4,800,000	40,207	-
Revenue notes:									
Water	Apr 15, 2008	3.55-3.75%	\$ 1725000	225,000	-	70,000	155,000	7,213	-
Water	Apr 25, 2012	1.15-3.00%	1360000	1,360,000	-	-	1,360,000	-	-
Total			\$ 1,585,000	\$ 1,585,000	-	70,000	1,515,000	7,213	-

See accompanying independent auditors' report

City of Missouri Valley
Bond and Note Maturities
June 30, 2013

General Obligation Bonds and Notes									
Year Ending June 30,	Water Improvement		3rd Street Improvement		GO Rescue Vehicle and Refunding Bonds		Street Improvement		Total
	Issued Apr 24, 2008		Issued Nov 24, 2009		Issued Apr 25, 2012		Issued Sept 25, 2012		
	Interest		Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	
2014	3.40%	135,000	2.75%	100,000	0.65%	175,000	0.75%	-	410,000
2015	3.60%	140,000	-	-	0.85%	275,000	0.75%	-	415,000
2016	-	-	-	-	1.05%	320,000	0.75%	50,000	370,000
2017	-	-	-	-	1.55%	215,000	0.75%	160,000	375,000
2018	-	-	-	-	1.55%	215,000	0.75%	165,000	380,000
2019	-	-	-	-	1.55%	190,000	1.25%	195,000	385,000
2020	-	-	-	-	2.10%	190,000	1.60%	200,000	390,000
2021	-	-	-	-	2.10%	195,000	1.75%	205,000	400,000
2022	-	-	-	-	2.30%	200,000	1.90%	210,000	410,000
2023	-	-	-	-	2.30%	200,000	2.05%	215,000	415,000
2024	-	-	-	-	2.60%	205,000	-	-	205,000
2025	-	-	-	-	2.70%	210,000	-	-	210,000
2026	-	-	-	-	2.80%	215,000	-	-	215,000
2027	-	-	-	-	2.90%	220,000	-	-	220,000
	\$	275,000	\$	100,000	\$	3,025,000	\$	1,400,000	4,800,000

Year Ending June 30,	Revenue Notes				
	Water		Water		Total
	Issued Apr 15, 2008		Issued Apr 25, 2012		
	Interest Rates	Amount	Interest Rates	Amount	
2014	3.55%	75,000	-	-	75,000
2015	3.75%	80,000	-	-	80,000
2016	-	-	1.15%	105,000	105,000
2017	-	-	2.00%	105,000	105,000
2018	-	-	2.00%	105,000	105,000
2019	-	-	2.00%	110,000	110,000
2020	-	-	2.00%	110,000	110,000
2021	-	-	2.00%	115,000	115,000
2022	-	-	2.50%	115,000	115,000
2023	-	-	2.65%	120,000	120,000
2024	-	-	2.75%	120,000	120,000
2025	-	-	2.85%	125,000	125,000
2026	-	-	2.90%	130,000	130,000
2027	-	-	3.00%	100,000	100,000
		\$ 155,000		\$ 1,360,000.00	1,515,000

See accompanying independent auditors' report

City of Missouri Valley
Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds
For the Last Nine Years

	2013	2012	2011	2010	2009	2008	2007	2006	2005
Receipts									
Property tax	\$ 1,237,831	1,193,289	1,249,746	1,159,025	1,139,007	993,959	906,871	954,490	947,298
Tax increment financing collections	106,449	132,026	95,668	88,554	132,418	76,174	172,242	264,215	274,845
Other city tax	310,968	329,192	306,914	294,781	312,273	295,582	270,813	260,569	266,249
Licenses and permits	23,156	55,207	57,867	16,268	8,082	6,612	6,631	10,690	8,278
Use of money and property	37,438	37,804	40,367	45,179	80,896	143,153	186,386	71,127	181,024
Intergovernmental	358,532	443,913	380,627	558,367	640,206	427,167	602,242	293,004	318,838
Charges for service	243,233	237,713	146,960	160,243	140,819	146,554	162,842	170,013	163,518
Special assessments	5,529	2,072	-	1,945	2,811	7,006	-	-	-
Miscellaneous	183,723	194,644	121,402	177,877	95,635	121,909	129,424	53,296	190,940
Total	\$ 2,506,859	2,625,860	2,399,551	2,502,239	2,552,147	2,218,116	2,437,451	2,077,404	2,350,990
Disbursements									
Operating:									
Public safety	\$ 902,843	668,898	593,842	813,276	504,789	510,017	469,765	428,948	377,636
Public works	448,056	462,781	423,436	558,641	519,356	477,145	404,610	483,418	377,457
Culture and recreation	485,101	521,007	445,007	402,419	814,237	440,063	430,750	376,793	428,532
Community & economic development	-	-	-	26,190	-	-	302,070	598,168	-
General government	276,316	238,859	255,171	253,601	247,460	312,698	269,048	280,952	242,345
Debt service	520,844	691,656	615,241	787,073	420,384	264,138	363,538	684,935	322,746
Capital projects	1,045,464	413,542	321,133	775,015	-	61,483	-	75,971	199,138
Total	\$ 3,678,624	2,996,743	2,653,830	3,616,215	2,506,226	2,065,544	2,239,781	2,929,185	1,947,854

See accompanying independent auditors' report

City of Missouri Valley

November 12, 2013

Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Missouri Valley, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 7, 2013. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Missouri Valley's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Missouri Valley's internal control. Accordingly we do not express an opinion on the effectiveness of the City of Missouri Valley's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control such that there is a reasonable possibility a material misstatement of the City of Missouri Valley's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Continued...

City of Missouri Valley
Independent Auditors' Report on
Internal Control and Compliance and Other Matters

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Missouri Valley's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However we noted immaterial instances of noncompliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Missouri Valley's Responses to Findings

The City of Missouri Valley's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. City of Missouri Valley's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Missouri Valley during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schreier & Associates, P.C.

City of Missouri Valley
Schedule of Findings
Year Ended June 30, 2013

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

No matters were reported.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

City of Missouri Valley
Schedule of Findings
Year Ended June 30, 2013

Part II: Other Findings Related to Statutory Reporting:

II-A-13 Certified Budget

Comment - Disbursements during the year ended June 30, 2013 exceeded the amended amounts budgeted in the public safety and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

II-B-13 Entertainment Expense

We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-C-13 Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-13 Business Transactions

We noted no business transactions between the City and City officials or employees.

II-E-13 Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-13 Council Minutes

Comment – One transaction was found that we believe should have been approved for a larger amount in the City Council minutes but was not.

Recommendation – The City Council approved the purchase of an ambulance for \$183,704, but the ambulance actual cost was \$197,603, \$13,899 more than approved.

Response – The City should ensure the Council approves claims actually paid.

Conclusion – This increase in price was an isolated incident and accidentally missed. We will ensure claims approved match claims paid in the future.

II-G-13 Revenue Notes

The City is in compliance with the provisions of the bond resolutions.

City of Missouri Valley
Schedule of Findings
Year Ended June 30, 2013

Part II: Other Findings Related to Statutory Reporting Continued:

II-H-13 Excess Balances

Comment – The balances in the Special Revenue Fund, Road Use Tax Account, Local Option Sales Tax Account, CDBG Account, the Debt Service Fund, the Enterprise Fund, Water Account and Sewer Account at June 30, 2013, were in excess of the accounts' disbursements for the year.

Recommendation – The City should consider the necessity of maintaining these substantial balances, and where financially feasible, consider reducing the balances in an orderly manner through revenue reductions. The City should consider reducing the water and sewer rates as well.

Response – We will review the Debt Service Fund further before the next budget is certified. We plan to utilize the funds in the Road Use and Local Option Sales Tax Accounts for construction projects. We will consider a rate reduction to reduce the Water and Sewer Funds.

Conclusion – Response accepted.

II-I-13 Deposits and Investments

We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-J-13 Approved Depositories

Comment - The City has a depository resolution, however, Edward Jones is not listed as an approved depository.

Recommendation – The City should include Edward Jones as an approved depository for City funds.

Response – We will add Edward Jones to our depository resolution.

Conclusion – Response accepted.

II-K-13 Urban Renewal Annual Report

The urban renewal annual report was approved and certified to the Iowa Department of Management on or before December 1. No discrepancies were noted.

City of Missouri Valley
Schedule of Findings
Year Ended June 30, 2013

Part II: Other Findings Related to Statutory Reporting Continued:

II-L-13 Other Information Required by Bond Resolution

Insurance

Adequate insurance was in force at June 30, 2013.

Statistical Information

Utility customers served at June 30, 2013 1,221

Gallons billed during the year ended June 30, 2013
were approximately 82,569,700